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Daily Report

Summary

- Investor sentiment was mixed in the international markets, the CEE region underperformed
- The EUR strengthened against the USD
- The Hungarian Minister of Finance opened the budget for 2019
- The Fed increased its base rate and announced that from now on every rate-setting decision could be live

Investor sentiment was mixed on Wednesday. Among the leading US indices the S&P500 declined by 0.4%, while the Nasdaq100 did not change significantly. In Europe, the DAX increased by 0.4% while trading on the French and UK markets was without clear direction. The CEE region underperformed, the WIG20 declined by 0.6% and the BUX by 1.3%. Among the Hungarian blue chips the MOL declined by almost 3% while the OTP, MTelekom, Richter declined by under 1%. The long end of the Hungarian yield curve increased, so the steepening continued. In Asia, investor sentiment was mixed with a tilt to the negative. The Nikkei declined by 1%, while the SSEC did not change significantly compared to yesterday's close price.

The USD depreciated by 0.4%, and the HUF by 0.3% against the EUR. The EUR appreciated by 0.5% against the JPY and 0.4% against the GBP. The TRY depreciated by 1.3% against the USD. The Brent oil price went up 1%, while the gold and silver prices increased a bit.

Yesterday evening the Fed increased its base rate by 25 bps, as it was expected. Market expectations shifted toward 4 rate hike for 2018 (probability of a December rate hike increased significantly). The Fed Chairman confirmed that from now on every rate setting decision will be live and will be followed by a press conference. According to the Fed Chairman the US economy is in a good health, and if inflation overshoots the inflation target a bit, it will not automatically warrant a more restrictive monetary policy stance. Powell also said that until the trade war has no significant effect on the monetary policy, the Fed did not want to express its opinion on the matter.

Yesterday, Mihály Varga, the Hungarian Minister for Finance opened the budget for 2019. According to the budget, fiscal deficit could be 1.8% for 2019. Economic growth is planned to be 4.1%, consumption growth 3.9% and investment 9.5%. Employment could grow by 1.5%, while average gross wages could grow by 8.8%. Inflation could be 2.7%, and the pension premium could be paid out if economic growth is above 3.5%. Social contribution tax will decrease from 19.5% to 17.5%. Wages could increase in the public sector.

The VW reached an agreement with the German prosecution and will be EUR 1 bn. due to its responsibility in the diesel scandal. There is similar proceeding against the VW in more than 50 countries worldwide.

Today's most important event will be the ECB's interest rate decision. Economists expect the ECB to give clear guidance about its exit strategy concerning its QE program.

	Stocks				Bonds				Commodity & FX			
	Product name	Close	Daily change (%)	YTD (%)	Product name	Yield	Daily change*	YTD	Product name	Close	Daily change (%)	YTD (%)
Global	S&P500	2775,6	-0,4	3,8	VIX	12,9	4,9	17	WTI	66,6	1,2	10,3
	DOW	25201,2	-0,5	1,9	US 2Y	2,58	4,1	69	Brent	76,74	1,1	14,8
	Nasdaq100	7205,3	-0,1	12,6	US 10Y	2,98	2,2	57	Gold	1299,3	0,3	-0,2
	DAX	12890,6	0,4	-0,2	GER 2Y	-0,63	-0,6	1	Silver	17,00	0,9	0,3
	CAC40	5452,7	0,0	2,6	GER 10Y	0,48	-1,3	5	EUR/USD	1,18	0,4	-1,7
	FTSE 100	7703,7	0,0	0,2	PT10Y	1,99	-3,0	6	EUR/GBP	0,88	0,4	-0,8
	FTSE MIB	22216,2	0,4	1,7	IT 10Y	2,82	-5,9	82	EUR/NOK	9,44	-0,1	-4,1
	Stoxx600	388,3	0,2	-0,2	SP 10	1,42	-2,6	-15	USD/CAD	1,30	-0,2	3,2
	- Banks	146,1	-0,6	-11,4	iTRAXX	69,0	-4,2	53	AUD/USD	0,76	0,1	-2,9
	Nikkei 225	22738,6	-1,0	-0,1	JPY 2Y	-0,13	0	0	USD/JPY	110,32	0,0	-2,1
	SSEC	3046,1	-0,1	-7,9	JPY 10Y	0,04	-1	-1	GBP/USD	1,34	0,0	-1,0
Regional	RTS	1147,6	0,5	-0,6	RUS10	7,6	0,9	0	USD/RUB	62,448	-0,9	8,3
	WIG20	2238,94	-0,6	-9,0	POL 10	3,2	-0,8	-2	EUR/PLN	4,28	-0,1	2,4
	PX50	1082,0	0,3	0,4	CZ10	2,1	0,4	40	EUR/RON	4,664	0,1	-0,3
Hungary	BUX	35869	-1,3	-8,9	3M DKJ	0,22	0	18	EUR/HUF	320,40	0,3	3,2
	OTP	9800	-0,6	-8,6	1Y	0,39	5	34	USD/HUF	271,70	-0,1	5,0
	MOL	2632	-2,9	-12,4	3Y	1,43	12	88	CHF/HUF	275,55	0,0	4,0
	MTelekom	421	-0,6	-8,1	5Y	2,07	16	90	PLN/HUF	74,91	0,4	0,8
	Richter	5505	-0,8	-18,8	10Y	3,48	11	143	GBP/HUF	363,23	-0,1	4,0

* In the case of bond yields, the change is in basis points instead of percentage (VIX and ITRAXX not included).

Sources: Reuters, OTP Research

Data	Cd.	Event/Data	Period	Fact	Cons.	Prev.
2018 6. 11. 10 : 30	UK	Industrial production (mom, %)	Apr.	-0,8	0,2	0,1
12. 11 : 00	DE	ZEW Economic Sentiment (points)	June	-16,1	-13,0	-8,2
14 : 30	US	CPI (yoy, %)	May	2,8	2,7	2,5
14 : 30	US	CPI (mom, %)	May	0,2	0,2	0,2
14 : 30	US	core-CPI (yoy, %)	May	2,2	2,2	2,1
14 : 30	US	core-CPI (mom, %)	May	0,2	0,2	0,1
20 : 00	US	Federal budget balance (USDbn)	May	-147,0	-	214
13. 9 : 00	HU	Industrial production (second estimate, yoy, %)	Apr.	7,8	-	7,8*
10 : 30	UK	Inflation (yoy, %)	May	2,4	2,5	2,4
10 : 30	UK	Core inflation (yoy, %)	May	2,1	2,1	2,1
11 : 00	EZ	Industrial production (mom, %)	Apr.	-0,9	-0,3	0,5
20 : 00	US	Interest rate decision (%)	June	1,75-2,0	1,75-2,0	1,5-1,75
14. 4 : 00	CN	Infrastructural spending (yoy, %)	May	6,1	7,0	7,0
4 : 00	CN	Industrial production (yoy, %)	May	6,8	6,9	7,0
4 : 00	CN	Retail sales (yoy, %)	May	8,5	9,5	9,4
8 : 00	DE	CPI (final, yoy, %)	May	2,2	2,2	2,2*
10 : 30	UK	Retail sales (mom, %)	May		0,5	1,6
13 : 45	EZ	Interest rate decision (lending rate, %)	June		0,0	0,0
13 : 45	EZ	Interest rate decision (deposit rate, %)	June		0	0
14 : 30	US	Retail sales (mom, %)	May		0,4	0,3
16 : 00	US	Business inventories (mom, %)	Apr.		0,3	0,0
15. 5 : 00	JP	Interest rate decision (%)	June		-0,1	-0,1
9 : 00	HU	Construction output (yoy, %)	Apr.		-	1
11 : 00	EZ	CPI (final, yoy, %)	May		1,9	1,9*
14 : 30	US	New York Fed Manufacturing index (points)	June		19,0	20,1
15 : 15	US	Industrial production (mom, %)	May		0,3	0,7
16 : 00	US	Michigan Consumer confidence (preliminary, points)	June		98,5	98,0

* preliminary data

Sources: Reuters, OTP Research

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